

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

23 OCT 1997

REPLY TO
ATTENTION OF

SARD-PI

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Disposition of Excess and Underutilized Government-owned
Property in the Possession of Defense Contractors

At the end of Fiscal Year 1996 the amount of Government-owned property in the possession of Army contractors totaled \$17.8 billion, nearly double the amount reported for Fiscal Year 1986. The Army's experience mirrors the growth of contractor-held Government property throughout the DoD. The growth in the amount of Government property and associated increased cost to the Government and contractors to control, manage, store, etc. the property is a current matter of concern at the highest levels in the DoD, evidenced by the issuance of memoranda by the Acting Under Secretary of Defense (Acquisition and Technology) on September 15 and 25, 1997, Attachments 1 and 2.

In response to direction from OSD to eliminate excess property and reduce the amount of underutilized property in contractor possession by January 1, 2000, the Military Departments and the Defense Contract Management Command (DCMC) are initiating a review of all contracts on which there is \$3 million or more in Government property. The review will involve approximately 450 Army contracts, of which 89 are administered by the Army and the balance by DCMC and the Office of Naval Research. A list of the Army contracts is at Attachment 3 for your information.

As soon as excess or underutilized Government property is identified by contractors, project/program/product management offices and property managers working in concert with contracting officers, and vice versa, shall promptly decide on the disposition of the property and take all necessary actions to make it happen. Our objective is that contracting officers and property managers will forward disposition or shipping instructions to the cognizant contract administration office **no later than 60 days after receipt** of inventory schedules or similar reports of excess or underutilized property.

We realize that this is an ambitious undertaking. To make it work, we must have the active support and cooperation of contractors and all Government individuals and organizations that have a role in furnishing, monitoring, or disposing of Government property in the possession of contractors. Please make appropriate distribution of this memorandum.

If you need advice or assistance contact Rachel Lilley, SARD-PI, at DSN 761-7565 or (703) 681-7565, fax DSN 761-7580/83 or (703) 681-7580/83, email lilleyr@sarda.army.mil or Herbert Marr, AMSAA, at DSN 793-4093 or (309) 782-4093, fax DSN 793-7170 or (309) 782-7170, email hmarr@ria-emh2.army.mil.

In the interest of expediency, efficiency and paperless operations, this memorandum is being distributed electronically to the current SARDA list of PEOs and PMs. In addition, a copy of this memorandum and its attachments will be posted on the Web at <http://acqnet.sarda.army.mil/hotlist/default.htm>. A hard copy will be mailed to all PEO. Should you need a hard copy contact Ms. Lilley and a copy will be mailed to you.

//s//

Kenneth J. Oscar
Acting Assistant Secretary of the Army
(Research, Development and Acquisition)

Attachments

DISTRIBUTION:

PROGRAM EXECUTIVE OFFICERS

Air and Missile Defense, ATTN: SFAE-AMD, P. O. Box 1500,
Huntsville, AL 35807-3801

Aviation, ATTN: SFAE-AV, Bldg. 5681, Redstone Arsenal, AL
35898

Command, Control and Communications Systems, ATTN: SFAE-
C3S, Fort Monmouth, NJ 07703-5401

Ground Combat and Support Systems, ATTN: SFAE-GCSS,
Picatinny Arsenal, NJ 07806-5000

Intelligence, Electronic Warfare and Sensors, ATTN: SFAE-IEW&S,
Fort Monmouth, NJ 07703-5000

DISTRIBUTION: (CONT)

Standard Army Management Information Systems, ATTN: SFAE-PS, 9350 Hall
Road, Suite 142, Fort Belvoir, VA 22060-5526

Tactical Missiles, ATTN: SFAE-MSL, Redstone Arsenal, AL 35898-8000

Battle Management, ATTN: AF PEO BA, 1090 Air Force Pentagon,
Washington, DC 20330-I 090

Cruise Missiles Project and Joint Unmanned Aerial Vehicles,
ATTN: PEO(CU), 47123 Buse Road, Unit 1 PT, Patuxent River, MD
20670-I 547

THE UNDER SECRETARY OF DEFENSE

30 10 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010

ACQUISITION AND
TECHNOLOGY

SEP 15 1997

**MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS, DEFENSE AGENCIES
DIRECTOR, DEFENSE PROCUREMENT
COMMANDER, DEFENSE CONTRACT MANAGEMENT
COMAND**

SUBJECT: Government Property in the Possession of Defense Contractors

It is Government policy that contractors ordinarily all be required to furnish all property necessary to perform Government contracts. Nevertheless, the acquisition value of DOD-owned tooling and equipment in the possession of contractors has increased 60% in the past decade.

The Department must reverse this trend, and reduce the amount of government-owned tooling and equipment in contractors' custody. An Integrated Process Team has identified three courses of action aimed at achieving these objectives:

- Disposition or place on a direct-funded storage contract any government property no longer required for contract performance.
- Under cost reimbursement contracts, cease automatically taking title to contractor acquired tooling and equipment, but obtain right to title when essential to protect the Government's interest.
- When government owned tooling and equipment must be furnished, normally furnish "as is."

The execution strategy for Management Reform Memorandum #5 shall encompass the first objective. The Military Departments and Defense Agencies, in conjunction with DCMC, shall ensure that program managers and other property owners and administrators identify tooling and equipment that is no longer essential for the performance of a contract. Any such identified tooling and equipment shall be considered for immediate disposition or placed on a direct-funded storage contract if there is a known future need. Uniform procedures to accomplish this task are being developed and will be promulgated in the near future.

Furthermore, program managers and other property owners shall also examine their management of active and idle government-owned property and their visibility of

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property to which DOD has right to title, to ensure that decisions about retention, disposition, and taking title are informed and timely. All property owners shall have a process to ensure continued management emphasis on reducing the amount of government property in the possession of contractors and preventing any unnecessary additions to our inventory. Decisions to allow acquisition of and taking of title to new property shall be justified and documented in the acquisition plan or contract file. These requirements shall be incorporated into the next revision of DOD 5000.2-R.

The second and third courses of action will affect the public and, consequently, cannot be implemented until we consider public comment. I have asked the Director of Defense Procurement to prepare a revision to the Defense Federal Acquisition Regulation Supplement to accomplish these objectives, obtain public comments, and provide a summary of those comments and a recommended course of action to me as expeditiously as possible.

I appreciate your support in implementing these management improvements.

//s//

R. Noel Longuemare
Acting Under Secretary of Defense
(Acquisition and Technology)

THE UNDER SECRETARY OF DEFENSE
30 10 DEFENSE PENTAGON
WASHINGTON, DC 203011-3010

ACQUISITION AND
TECHNOLOGY

SEP 25 1997

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Disposition of Excess and Underutilized Government Property in the
Possession of Contractors

Deputy Secretary Hamre, in his Management Reform Memorandum No. 5 of May 21, called for a plan to dispose of all excess Government property in the possession of contractors by January 1, 2000. As I discussed in my September 15 Memorandum, our Government Property Integrated Process Team identified this as one of three critical courses of action for decreasing the amount of property to which we take title and the amount of money we pay to keep it

Accordingly, the Military Departments and the Defense Contract Management Command have developed a plan to eliminate excess Government-owned tooling, equipment, and material and reduce the amount of underutilized government property in the custody of contractors beginning immediately and concluding by January 1, 2000. In concert with the plan, Contract Administration Offices will ask those contractors having contracts that meet the review criteria to identify and report excess and underutilized government owned property in their possession. Program managers and other property owners should be prepared to then make retention and disposition decisions according to the plan, a copy of which is attached.

I believe this plan presents us with an excellent opportunity to decrease both the complexity and costs of our property accounts. Should you need additional background, please contact Ms. Janice Hawk of the Defense Contract Management Command at (703) 767-3433.

//s//

R. Noel Longuemare
Acting Under Secretary of Defense
(Acquisition and Technology)

Attachment:
As stated

Disposition Review Plan for Government Property in the Possession of Contractors

What: Special Tooling (ST), Special Test Equipment (STE), industrial Plant equipment (IPE), Other Plant Equipment (OPE), and Material (GFM and CAM)
When: Review begins now; all disposition completed by January 1, 2000
Why: To remove unneeded government property and reduce the associated costs of ownership
Who: Contractors, Contract Administration Offices (CAO's), and Property Manages/Owners
How: Review of utilization procedures for all government property, followed by a review of ST, STE, IPE, OPE, GFM and CAM on all contracts where the total acquisition cost of this property exceeds \$3 million

Definitions:

Excess Property: Government property no longer required for performance of contract requirements.
Underutilized Property: Government property used less than 10 percent of available time on Government contracts when the item is available from other sources and there is no known Government requirement supporting greater usage.

Contractors:

1. Review current procedures for identification of excess and for conducting utilization reviews, and revise as necessary.
2. Apply procedures/standards to contracts with ST, STE, IPE, OPE, GFM, and CAM >\$3 million to ensure identification of all excess/underutilized government property. (Contract Administration Offices have list of contracts based on DD Form 1662 [DoD Property In The Custody of Contractors) submitted at the end of Fiscal Year 96).
3. Report excess items on inventory schedules to the CAO (or turn in to base supply or DRMS, as directed by the CAO).
4. When retention of underutilized items is not justified, follow Step 3 above.
5. Advise CAO when review of contract(s) is complete.

Contract Administration Offices:

1. Assist contractors with review of their procedures, as necessary, and approve revisions.
2. Resolve contractor questions.
3. Include disposition and utilization functions during property system analyses.
4. Receive inventory schedules (or turn-in documents) and process as appropriate (e.g., to Procuring Contracting Officer [PCO], PM, property owner, etc.).

5. Forward disposition instructions to the contractor after screening.
6. Follow up when disposition decisions are not forthcoming from Property Managers/Owners or PCO.
7. Use management Councils as applicable to maintain focus on this review.
8. Maintain information on acquisition value of property reported as excess during this review; also on sales proceeds if available.

Program Office/Property Managers/PCO:

1. Ensure procedures are in place to review reports of excess/underutilized property.
2. Work funding issues relative to storage, demilitarization, environmental requirements, etc.
3. Provide disposition or shipping instructions to the CAO within 60 days of receipt of inventory schedules.
4. Approve funded storage contracts when there is justification for retention of property at the contractors' location.

List of TRADOC Contracts
(GFP/GFR Valued at \$3m or More)

VITRO SERVICES CORPORATION	DABT63	Huachuca	DABT63-93-C-0018
NORTHROP WW AIRCRAFT SVC INC	DABT57	Eustis	DABT57-94-C-0027
E.D.P. ENTERPRISES	DABT31	Wood	DABT31-95-D-0009
DYNACORP	DABT01	Rucker	DABT01-93-C-0123
ITT FEDERAL SERVICES CORP.	DABT39	Sill	DABT39-92-C-3029
JL ASSOCIATES INC	DABT02	McClellan	DABT02-96-C-0002
JOHNSON CONTROLS WORLD SVC	DABT11	Gordon	DABT11-95-C-0006
JOHNSON CONTROL WORLD SVCS	DABT02	McClellan	DABT02-94-C-0010
DOSS AVIATION INC	DABT51	Bliss	DABT51-96-D-0010